

ECONOMY LOOKS TO EDGE UPWARD IN EARLY SUMMER

The available evidence suggests that the recession lingers on in Polk County. However, the Polk Progress Index (PPI) did manage to rise 2.5% in the second quarter, recovering about half of the loss reported in Quarter 1 as was forecast. There was apparently a lag problem in recording area hotel and motel sales that resulted in the PPI falling further in Quarter 1 than should have been the case, and thus "rebounding" in Quarter 2. The PPI in Quarter 2 remains 3.5% below the Quarter 2 value of last year. The average value of the PPI thus far in 2002 is down 3.8% from the average value for the first six months of 2001.

Retail sales and employment are stagnant, while the verdict is still out on whether population growth has stalled as well. Interest-sensitive spending such as home sales is what's keeping the economy afloat at this point.

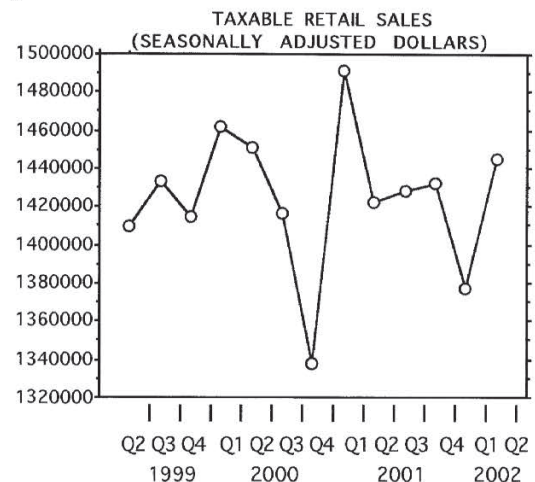
The taxable value of property located in Polk County during 2002 is \$18.1 billion according to figures released in July by the Polk County Property Appraiser. That represents a 7.8% increase from the preceding year, due largely to new residential construction. The latest increase is virtually the same as that recorded in 2001 when the value of taxable property was up 7.7% from the year before.

Total receipts from the sale of crops and livestock in Polk County rose to \$323.1 million in 2000 based upon a report released by the Bureau of Economic Analysis at the U.S. Department of Commerce. While that represents a 0.7% increase in sales from the preceding year, net income from farm sales countywide dropped 8.7% from the year before to a total of \$120.4 million. The decline in profits was largely due to low citrus prices. Polk remains the sixth most productive agricultural county in Florida.

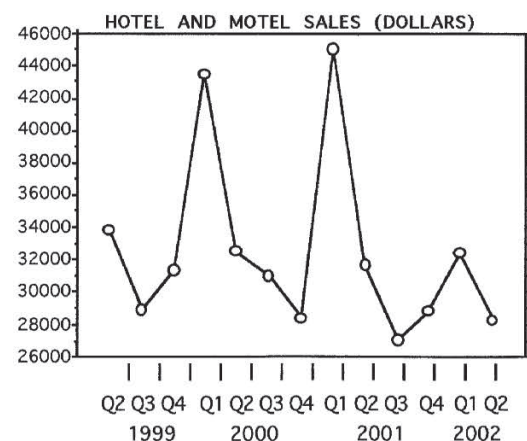
Suntrust has become the largest bank in Polk County in terms of deposits according to the latest data provided by the Florida Bankers Association. The FBA reports that in the first quarter of 2002 Suntrust offices in the county held \$1.06 billion, or 25.5% of total countywide bank deposits. Suntrust deposits in Polk increased significantly following the firm's acquisition of Huntington Bank's Florida assets in February.

SALES - Retail sales are stable, if uninspiring, thus far in 2002. Total taxable sales for the first six months of the year are down 1.3% (\$36 million) from the same period in 2001 before inflation. While some of the decline is attributable to changes in the definition of what constitutes "taxable" sales, it is apparent that sales are basically treading water.

Seasonally adjusted taxable sales advanced 4.9% in the second quarter to offset a 4.3% decline in Quarter 1.



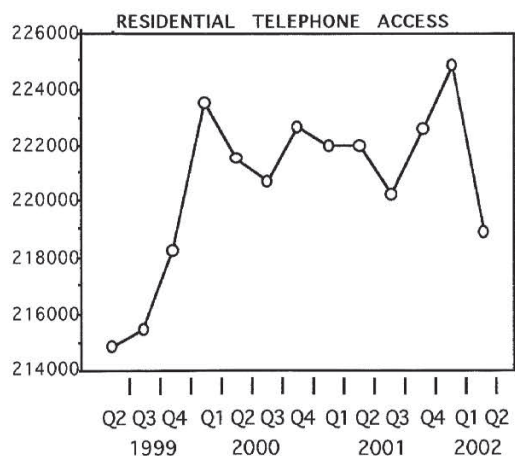
There is little doubt that Polk hotels and motels sustained a significant hit in volume following the terrorist attacks of September 11. Sales reported by local hotels and motels during the first half of 2002 fell 20.8% (\$16 million) from the preceding year.



Seasonally adjusted hotel/motel sales largely erased a reported 27.8% plunge in Quarter 1 2002 with a 23.9% rebound in the just completed Quarter 2. It is very likely that both swings relate to data reporting problems. It does mean that the 5.2% plunge reported in the overall Polk Progress Index last quarter was overstated.

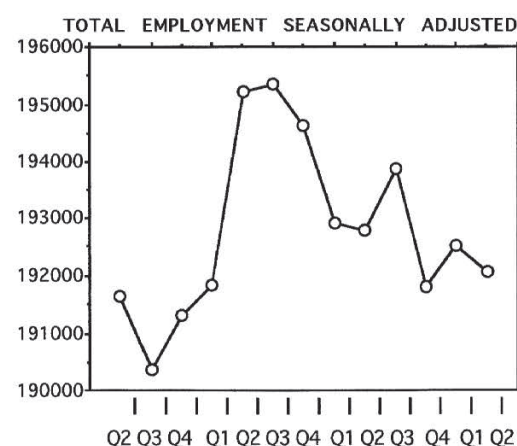
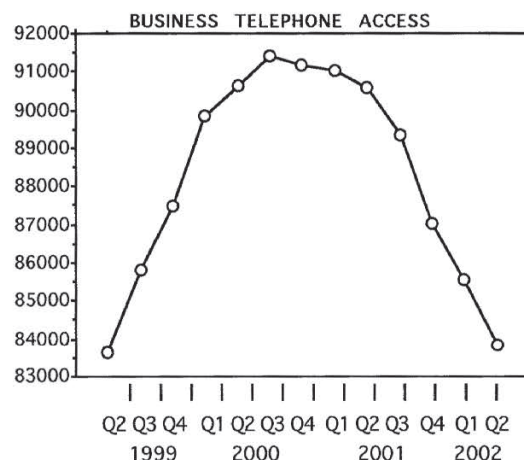
POPULATION - A study prepared by Polk Works, a not-for-profit agency responsible for employment and workers training in the county, finds that 12.9% of county residents live below the poverty line based on figures contained in the 2000 U.S. Census. The poverty rate for the entire U.S. is 12.4%. The average annual wage earned by a worker in the county during 2000 was \$27,880; an increase of 44% from 1990 (inflation was 32% over the same period). The average annual Polk County wage in 2000 remains considerably below the Florida average wage of \$30,566 and the U.S. average wage of \$35,296. The wage gap between Polk County and the rest of Florida has widened over the course of the last decade due, in part, to the decline in relatively well-paying mining and manufacturing jobs in the county.

Data on residential telephone access continue to suggest that population growth in the county has subsided. Residential Telephone Access (RTA) dropped sharply in the second quarter according to figures supplied by Verizon Communications. The average number of RTA's reported in the first six months of 2002 is unchanged from the same period in the preceding year. We expect RTA numbers to bounce back upward in the third quarter.

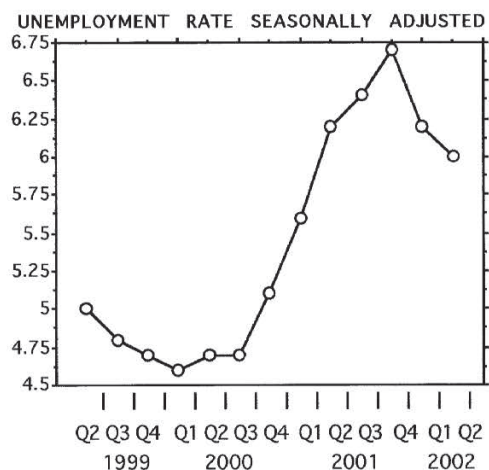


Verizon-provided figures on Business Telephone Access continue to slide, falling during the second quarter to a level equal to that achieved in the second quarter of 1999. It continues to appear that changes in the telecommunications market have caused the RTA and BTA data to become less reliable indicators of population levels and business activity.

EMPLOYMENT - The absence of job creation remains a significant obstacle to local economic development. The average level of total employment in the second quarter is up just 411 workers (0.2%) from the average level recorded during the same quarter a year ago. Seasonally adjusted employment dipped 0.2% in the second quarter, offsetting half of the gain achieved in the immediately preceding Quarter 1.

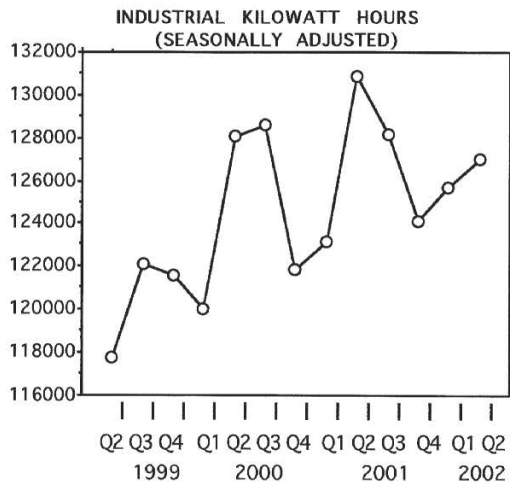


The county's seasonally adjusted unemployment rate continues to hover around 6 percent. The only factor that has kept the Polk unemployment rate from rising above the levels of last year has been a decline in the size of the local labor force. Some people of working age are either moving out of the county or dropping out of the labor force altogether.

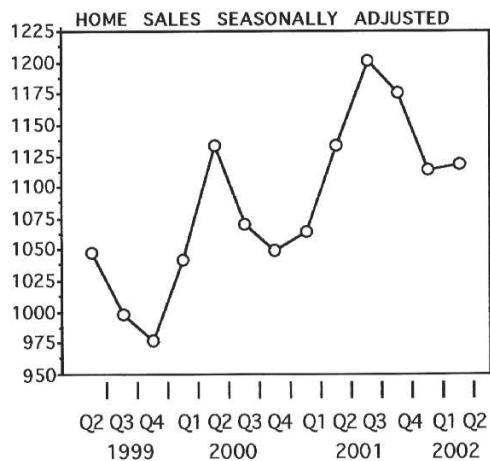


We expect total employment to decline slightly from the current level in the third quarter. The seasonally adjusted unemployment rate is expected to top 6.5% in Quarter 3.

MANUFACTURING - Industrial electricity consumption rose a seasonally adjusted 1% in the second quarter. Actual (unadjusted) usage in the first half of 2002 is about even with the same period last year. We anticipate that usage will rise 3% in Quarter 3.



CONSTRUCTION - The housing market remains strong in Polk County just as it does around the country. Seasonally adjusted home sales in the county leveled off in the second quarter, rising a marginal 0.4%. We expect that seasonally adjusted home sales will rise by about 50 units in Quarter 3, even as actual (unadjusted) sales decline slightly from Quarter 2 in reflection of recurring seasonal factors.



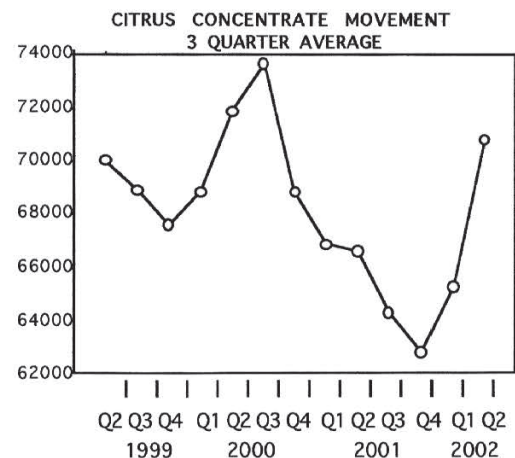
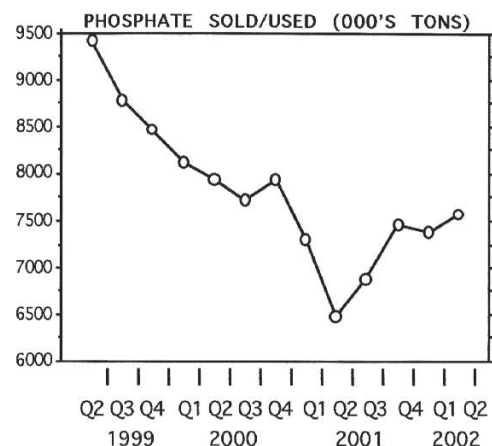
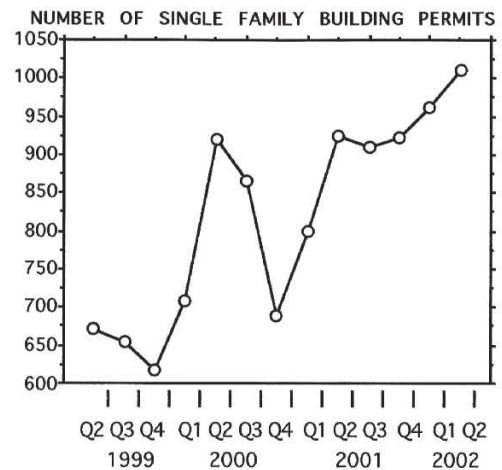
The number of single family building permits issued in Polk County continued advancing to ever higher ground in the second quarter, rising to a level 9.3% above the same quarter of last year. Permits issued during the first six months of 2002 are running 14.4% above the first half of 2001.

The number of permits issued may be expected to increase even further in the third quarter as the Federal Reserve maintains interest rates at current low levels.

PHOSPHATE - A federal bankruptcy judge has granted final approval for Cargill Fertilizer to purchase the fertilizer plant and facilities of the bankrupt Mulberry Phosphates Company. Cargill will pay \$800,000 for the complex located east of Mulberry on SR 60, and will contract with the Florida

Department of Environmental Protection to close the plant's two gypsum stacks. The gypsum stacks were the source of a 1997 acid spill into the Alafia River.

The phosphate industry has been able to sustain a modest recovery in activity over the past year. The volume of phosphate rock sold/used originating in the Florida/North Carolina region during the second quarter rose 2.4% from the preceding quarter. It is the second quarter in a row wherein the volume of rock exceeds year-earlier figures. Total volume for the first six months of 2002 is up 8.5% from the same period in 2001.



CITRUS - The Florida Agricultural Statistics Service reports that the final total for the 2001-02 Florida orange crop was 229 million boxes. A larger-than-expected late-season Valencia crop resulted in a total that was closer to the 231 million boxes originally forecast last October.

DEVELOPMENT - Construction of the In-Town Bypass through Lakeland began in July. The east-west bypass will be a two-mile link connecting Bartow Road to George Jenkins Boulevard. The \$50 million project will be built in two phases, with the right-of-way acquisitions for the second phase scheduled to begin in two years.

J.C. Penney Company has announced that USCO Logistics will operate its new distribution center in Lakeland. Penney had previously released a statement reporting that Genco Distribution Systems would be the operator. An existing warehouse in FirstPark Bridgewater on State Road 33 is being expanded to 360,000 square feet in order to house the new center, which will bring about 400 jobs to the county.

Defense contractor Lockheed Martin is consolidating its financial services operations and transferring some of those from Pennsylvania and New York state to its Lakeland offices. The transitions will begin in August and will add about 100 professional-level financial positions to the local operation.

The Polk County Commission has approved the development of an 80-acre site located along U.S. 98 in Highland City. The planned development includes a 125,000 square-foot shopping center, a 22,500 square-foot retail/restaurant facility, a 75,000 square-foot office complex, 160 apartments, 50 townhouses, and 126 single-family homes. No date has been set for construction.

The Polk County Commission has also okayed a plan to build a townhouse project on a 44-acre site located off of Sheperd Road in South Lakeland. The 216-unit project is to be known as Carriage Homes of Lakeland.

The Lakeland City Commission has given its consent for a proposed 197-acre development to be built between Sleepy Hill Road and Griffin Road near the Lakeland Square Mall. South Florida developer Larry Deddy plans to construct 640 homes, 325 apartments, and a 150,000 square-foot shopping center on the site.

Breed Technologies has regained profitability 18 months after entering Chapter 11 bankruptcy protection. The Lakeland-based company manufactures air bags, seat belts, and steering wheels for most major automakers. Breed has 16,000 employees worldwide, including 638 workers in Lakeland.

AMJ Equipment Corporation of Lakeland has agreed to serve as the primary representative in the southeastern U.S. for Sutron Corporation, a Virginia-based supplier of environmental monitoring and control systems. AMJ, located on Oak Drive in Lakeland, represents manufacturers of industrial controls, as well as suppliers of weather and environmental monitoring systems.

Kitchen Pro will establish a 7,500 square-foot showroom and an adjacent 1,500 square-foot store in the new Centerpoint Plaza under construction on South Florida Avenue in Lakeland. The Lakeland-based Kitchen Pro designs and builds kitchens, bathrooms, and other interiors.

A new Sonic drive-in restaurant is under construction on South Florida Avenue in Lakeland. The new eatery will be located in front of the Merchants Walk center, and is slated to open September 1st.

Wal-Mart has announced that it will begin building a previously announced 200,000 square-foot Supercenter north of Mulberry in August. The new outlet will be located at the intersection of Florida Avenue and West Carter Road, with a grand opening slated for early 2004.

Construction has begun a 40-bed expansion of the Heart of Florida Regional Medical Center in Haines City. The new three-story wing will cost \$3.2 million, and is scheduled for completion by March 1. The medical center currently has 75 beds for patients.

The Joseph brothers of Lakeland are razing the location of the old Sun Sun restaurant in Bartow to make way for a new structure that will house a Quizno's Subs restaurant and two other tenants. Construction at the North Broadway site was to begin in June.

NEW OPENINGS AND CLOSINGS - CHEP opened a new 78,000 square-foot depot during July in the Lakeland Regional Industrial Park. CHEP concurrently laid off 99 permanent and 30 temporary workers at its 290,000 square-foot depot in Davenport as it transferred some operations to the new Lakeland facility which will have about 50 employees. The \$1.2 million Lakeland depot will inspect, repair, and store about 4 million wood pallets a year for use by manufacturers and retailers.

A Burke's Outlet store is scheduled to open in the Lakeland Square Mall in mid-August. Burke's Outlet is a subsidiary of Beall's Incorporated, and will occupy 15,000 square feet of space adjacent to the Sears location in the mall.

The Lakeland office of Salomon Smith Barney is relocating to the Heritage Plaza in downtown Lakeland. The financial firm's new office will encompass 8,632 square feet on the first floor. Thirty-two employees will transfer from the current office on South Florida Avenue by early 2003.

MidAmerica Management has moved into the newly renovated Wendel-Georges Building on Main Street in downtown Lakeland. The financial services firm will occupy the first two floors of the three-story structure, which has undergone a \$1 million historic restoration.

Centimark Corporation has opened a regional office on Winter Lake Road in Lakeland. Centimark is a nationwide company that installs commercial roofing and will utilize 10,000 square feet of space in the Ruthven Industrial Center. The new office will bring 15 to 20 jobs to the county.

The Bethany Center has moved from Lakeland Regional Medical Center to a lakeside location at 50 Lake Morton Drive in Lakeland. The Bethany Center provides children with emotional support when people they love die or have a serious illness.

The Kentucky Coffee Shop opened on Kentucky Avenue in downtown Lakeland on June 13. The 1,500 square-foot shop offers pastries, truffles, and ice cream in addition to custom-roasted coffees and teas.

Demitri's Deli is scheduled to open in September on South Florida Avenue in downtown Lakeland. The new delicatessen will occupy 1,500 square feet of space that formerly housed some of the Lakeland offices of the Tampa Tribune. The menu will feature Italian and Greek fare.

The CDB Italian Restaurant located on Memorial Boulevard in Lakeland plans to reopen in September. The eatery closed following a fire in November, and is undergoing a complete renovation with a Mediterranean-style facade.

Contempo Collections, an upscale consignment shop, opened for business on South Florida Avenue in Lakeland in mid-June. Contempo carries career and casual wear for men and women, plus clothes for infants and children.

Mickey's Showroom and Discount Membership Club opened at a Drane Field Road location in West Lakeland during June. Mickey's is a branch of a Plant City gift store, and occupies 2,500 square feet of space near the Lakeland Linder Regional Airport.

A new Publix supermarket opened to serve customers in the North Gate Shopping Center in Winter Haven in late July. The new 44,000 square-foot store is part of a \$3.6 million renovation of the 10-acre shopping center.

The Beef O'Brady's restaurant in Winter Haven is moving to a new site on Cypress Gardens Boulevard across the street from its present location. The new \$1 million restaurant has 600 more square feet of space and seats 32 more patrons than the old location, and was scheduled to open in mid-July.

The Burger King restaurant on North Broadway Avenue in Bartow closed in June. The 20-year franchise expired in May, and the franchise owner has filed for Chapter 11 bankruptcy protection.

The Dining Gallery opens August 1st in Eagle Ridge Mall in Lake Wales, offering dinnerware, table linens, candles, centerpieces, pottery, and other assorted items. The 3,000 square-foot store will also house a high-end art gallery, and will employ six workers.

TAKEOVERS AND ACQUISITIONS - The Florida Acquisition and Restoration Council has approved the purchase of a 5,830-acre ranch in eastern Polk County that will create an 18,182-acre wildlife habitat in the county stretching from Lake Kissimmee to Lake Pierce. The acquisition will link the existing 5,930-acre Lake Kissimmee State Park with

the 6,422-acre Allan Broussard Catfish Creek Memorial Preserve.

The Grenelefe Golf and Tennis Resort southeast of Haines City has been purchased at a bankruptcy auction by Central Florida Investments Company of Orlando for \$12.75 million. The purchase includes a convention center with 50,000 square feet of space, 404 condominiums, three championship golf courses, a tennis center with 22 courts, four swimming pools, and four restaurants.

The Denny's restaurant on North Broadway Avenue in Bartow has been purchased by RREMC, a restaurant company headquartered in Tampa. The Bartow restaurant is one of fifteen Denny's locations in the South acquired by RREMC through a bankruptcy court proceeding from previous owner Cypress Restaurants Inc. of Orlando.

THE NATIONAL ECONOMY

The price adjusted Gross Domestic Product (real GDP) rose at a 1.1% annual rate during the second quarter, down sharply from the 5% annual rate of advance recorded in Quarter 1. Revised data from preceding quarters reveal a recession that was deeper and longer than previously realized, and increase the chances that the still-fragile economic recovery could stall. The latest numbers show that real GDP peaked in the fourth quarter of 2000, then fell a total of 0.6% during the first three quarters of 2001 before beginning to recover in the fourth quarter of the year.

Current National Income Accounting data suggest that the economy continued to expand modestly in the second quarter of 2002, with an uneven performance across sectors. Retail sales were mixed, but construction activity remained strong. Business inventories were lean, while labor markets languished.

CONSUMER SPENDING - Personal Consumption Expenditures (includes goods and services) climbed 0.5% in April, then were unchanged in May before rising another 0.5% during June. Retail sales (goods only) offset a 1.2% drop in May with a 1.1% advance in June. Spending by consumers is rising, but a good portion of the stimulative effect is lost because much of the increased spending is for imported goods.

The University of Michigan's Index of Consumer Sentiment fell by a combined 13% in May and June to a July level that is the lowest recorded in six months. The Conference Board's Index of Consumer Confidence has shown a similar slide, falling in July to its lowest level since February. Slower economic growth, rising unemployment, and the precipitous drop in stock prices underly the sharp drop in consumer confidence.

Disposable personal income increased 0.5% in both April and May, and by 0.7% in June. Personal saving rose to 4% of disposable personal income in the second quarter as consumers became increasingly cautious.

EMPLOYMENT - Total employment has changed little since February. Nonfarm employment fell by 21,000 workers in April, then offset that with a gain of 22,000 in May. Nonfarm employment grew by 66,000 in June, then was virtually unchanged in July with a disappointing increase of just 6,000 new jobs. It is estimated that the economy needs to create about 125,000 additional jobs per month in order to keep the unemployment rate stable as the labor force grows in size.

Job losses in manufacturing have continued to moderate throughout the year. Manufacturing employment fell by 22,000 workers in April; 29,000 in May; 13,000 in June; and a slight 7,000 workers in July.

The U.S. unemployment rate was 6% in April, 5.8% in May, and 5.9% in both June and July.

INDUSTRIAL PRODUCTION - Output at the nation's mines, factories, and utilities has risen each month in 2002. Industrial production advanced 0.2% in April, 0.4% in May, and by 0.8% in June. Capacity utilization climbed modestly throughout the second quarter, rising to 75.3% in April, 75.6% in May, and 76.1% during June.

Factory orders rose a seasonally adjusted 0.7% in April, and 0.6% in May before falling by 2.4% in June. New orders for durable goods rose a seasonally adjusted 0.5% in April and 0.6% during May, then dropped 3.8% in June. The June decline in durable goods orders was the sharpest in seven months.

Business inventories were up 1.7% in April, and by 0.2% in both May and June.

CONSTRUCTION - Construction remains a pillar of economic strength, but there are signs that activity within the sector may have peaked. Seasonally adjusted spending for new construction was up an insignificant 0.1% in April, then fell by 2% in May and 2.2% in June. Construction expenditures in the first six months of 2002 are unchanged from the same period in 2001.

Private housing starts went on a roller coaster ride during the second quarter, falling 6.5% in April, then surging upward 10.8% in May before receding again by 3.6% in June. Building permits, a measure of future construction activity, were unchanged in April, then rose by 2.8% in May and another 1.4% in June.

Sales of new homes climbed 1.7% in April, 7% in May, and 0.5% in June. Existing home sales surged 7% in April before falling a modest 0.3% in May and a much sharper 11.7% in June. The June drop may mark a much anticipated cooling from the record pace set earlier in the year. The four highest monthly sales totals on record for existing home sales were all in 2002, occurring in January, February, April, and May. The median existing home sale price in June was \$163,500, up 7.4% from a year earlier.

FOREIGN TRADE - The U.S. trade deficit in goods and services grew to new record levels of \$36.1 billion in April and \$37.6 billion in May as rising exports were more than offset

by even faster increases in imports. U.S. exporters hope to benefit in the months ahead from the declining value of the dollar in foreign exchange markets. The dollar has fallen by about 9% in value since April. It may take anywhere from six months to two years for a falling dollar to translate into higher American exports.

COST OF LIVING - The Consumer Price Index (CPI) jumped upward 0.5% in April, then was unchanged in May before rising a slight 0.1% in June. Consumer prices increased at a seasonally adjusted annual rate of 2.5% in the second quarter. The CPI in June is up just 1.1% from a year earlier.

Consumer Price Index (A)

Year	Q1	Q2	Q3	Q4
1999	164.6	166.2	167.3	168.3
2000	169.8	171.6	173.0	174.0
2001	175.7	177.5	177.8	177.3
2002	177.9	179.9		

(A) Figures are revised by the Department of Commerce as of July. The data reflect the average CPI reading over each quarter. The base period of the CPI is 1982.

MONETARY POLICY - The Federal Reserve voted at both its June and August meetings to hold short-term interest rates at their current levels. The federal funds rate remains at 1.75%, the lowest level in 40 years. The August announcement by the Fed contained a more pessimistic view of the economy than had been expressed in preceding months, and left open the possibility that the Fed might move to drive interest rates lower if economic weakness persists.

FISCAL POLICY - Federal spending related to the war on terrorism in combination with tax cuts have turned fiscal policy to a more stimulative stance. The Congressional Budget Office now projects that the federal budget for fiscal year 2002 (ending September 30) will register a deficit exceeding \$100 billion.

LEADING INDICATORS - The Conference Board reported that the index of leading economic indicators was unchanged in June after rebounding from a 0.3% drop in April with a 0.6% advance during May. During the past six months, the leading indicator index has risen by a total of 0.9 percent.

Orders for nondefense capital goods excluding aircraft, a key barometer of business investment plans, were up 5.3% in April and 0.9% in May, before falling by 5.2% during June.

A survey of 55 economists by the Wall Street Journal in late June yielded a nearly unanimous consensus that real GDP would grow at a 3.5% annual rate in the second half of this year, and at a 3.6% annual rate during the first half of 2003. The same group projected that the unemployment rate will hold at 5.8% through November, then decline to 5.5% by the middle of next year.

A June survey of 52 economists by Blue Chip Economic Indicators concluded that real GDP growth for 2002 will be 2.8 percent.

POLK PROGRESS INDEX													
	1999		2000				2001				2002		
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3 Projected
Taxable Sales (1,000's of \$)	1,355,034	1,474,324	1,488,104	1,442,322	1,338,933	1,397,394	1,526,448	1,414,474	1,347,824	1,477,209	1,435,967	1,467,997	1,448,539
Total Employment	189,308	192,380	191,869	195,165	194,288	195,693	192,957	192,732	192,815	192,856	192,562	193,143	192,268
Residential Telephone Access	215,470	218,270	223,521	221,541	220,690	222,683	222,000	222,031	220,230	222,590	224,794	218,924	223,682
Business Telephone Access	85,786	87,462	89,837	90,617	91,409	91,146	91,000	90,555	89,343	87,049	85,547	83,838	85,309
Industrial Electric KWH (1,000's)	129,651	126,394	114,813	127,630	137,890	124,626	114,668	131,420	138,105	125,919	116,490	128,587	133,681
Number of Single Family Bldg. Permits	655	618	708	920	866	689	799	925	910	923	962	1,011	1,050
Hotel/Motel Sales (1,000's of \$)	28,966	31,304	43,461	32,565	31,081	28,436	44,986	31,681	27,058	28,887	32,457	28,250	24,943
Number of Homes Sold	1,018	930	978	1,230	1,085	1,054	1,061	1,251	1,260	1,130	1,049	1,281	1,233
Citrus Concentrate Movement (1,000's of gal.)	66,450	63,123	76,789	75,601	68,470	62,428	69,629	67,653	55,599	65,131	75,096	72,159	68,736
Phosphate Sold/Used (1,000's metric tons)	8,780	8,470	8,130	7,940	7,730	7,930	7,300	6,470	6,880	7,460	7,380	7,560	7,298
Building Permits (1,000's of \$)	157,407	114,793	221,378	144,354	154,626	108,375	123,419	179,844	155,625	118,885	129,511	198,160	
POLK PROGRESS	162.6	168.2	172.2	175.7	174.4	172.8	176.5	179.6	179.3	178.4	169.1	173.3	177.8

Individual variables in the table represent raw data, unadjusted for seasonally. Industrial electric consumption reflects sales by the City of Lakeland. Phosphate sold or used is for Florida and North Carolina (Polk County averages 50% of this combined total). Citrus concentrate movement is for the state of Florida. All other data are county specific.

The composition of the Polk Progress Index is explained in the methodology section at the end of this report. Data are seasonally adjusted when appropriate to computation of the overall index.


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P R I N T I N G



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